

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## India

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### Weekly Highlight and Hot Bites No. 9

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**Report Highlights:**

\*Rural prosperity leads to food inflation\*, \*India, EU kick off fresh talks on Free Trade Agreement\*, \*Encourage organized retail for agri-produce\*, \*Indian government announces measures to boost farm sector\*, \*Food inflation in India again on rise\*, \*India could become milk importer: Economic Survey India\*, \*Government initiates additional storage space for foodgrains in the rural sector\*.

**General Information:**

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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**RURAL PROSPERITY LEADS TO FOOD INFLATION**

The Governor of Reserve Bank of India Mr. Subbarao stated that rising prosperity in rural India is leading to food scarcity, which is driving food prices. With the rising rural incomes, people are eating better by shifting from basic cereals to protein rich foods. Food inflation in India has been hovering in double digit for the last few months driven by rising prices of vegetables, fruits, milk, egg, and meat. Given that India's food inflation is largely due to supply constraints, he suggested that steps should be taken to raise agriculture output substantially and strengthen supply chains. The Governor stated that foreign direct investment in the retail sector will go a long way to improve the farm-to-market supply chain. (Source: [Financial Express](#), 02/28/2011)

**INDIA, EU KICK OFF FRESH TALKS ON FREE TRADE AGREEMENT**

India and the European Union (EU) started fresh talks on a Free Trade Agreement in Brussels. The first round of talks between Indian and the EU focused on 'tariffs and services'. Both India and the EU have already agreed to eliminate tariffs on 90% of all tradable goods and expect to include more goods. India has asked the EU to abolish tariffs on 95% of its goods, while the EU wants India to slash tariffs on 98% of its goods. The EU is also pushing India to slash tariffs on wine and spirits and dairy products. On services, India has asked for facilitation of visas for Indians with job offers in the EU. However, the EU has noted that visas are a member-state issue. (Source: [Business Standard](#), 03/02/2011)

**ENCOURAGE ORGANIZED RETAIL FOR AGRI-PRODUCE**

The Chief Ministers Working Group on Consumer Affairs has recommended that organized retail in agri-produce should be promoted and that futures trading in essential commodities be banned (to contain food inflation). The working group comprising of the chief ministers of the states of Gujarat, Tamil Nadu, Maharashtra and Andhra Pradesh was set up in April 2010. The group also recommended developing a single national agricultural market, building more storage capacities in food-deficit areas while developing cold chain and food processing to reduce wastage. ([Hindu](#), 03/03/2011)

**INDIAN GOVERNMENT ANNOUNCES MEASURES TO BOOST FARM SECTOR**

India's Finance Minister Mr. Pranab Mukherjee announced a slew of measures to boost the farm sector while presenting the Union Budget 2011-12 before the Indian Parliament on February 2008. Among various measures, Mr. Mukherjee announced an increase in the farm lending through banks at a subsidized interest rate of 4 percent. He also announced launch of National Mission of Protein

Supplements and National Mission for Sustainable Agriculture to address the malnutrition and sustainability issues. The Government plans to promote organic farming and combining modern technology with traditional farming to maximize crop yields and sustain productivity. Mr. Mukherjee announced setting up of vegetable clusters in four major urban centers and allocated more than USD 85 to extend the "Green Revolution" to the eastern region of the country. He proposed giving infrastructure support to cold chain facilities and post harvest storage facilities in a hope to attract private investment in these two important areas. He also proposed allocation of around USD 65 million each to promote pulses production in rainfed areas and to promote palm oil cultivation in India. (Source: [The Times of India](#), 03/01/2011)

## **FOOD INFLATION IN INDIA AGAIN ON RISE**

After declining for two weeks in a row, India's food price inflation increased marginally during the week ending February 12. During the week, food price inflation rose to 11.49% from 11.05% in the previous week. This rise has been driven by higher prices of eggs, meat, fish, milk, and vegetables. Addressing the Parliament, Indian Prime Minister Dr. Manmohan Singh blamed the spike on a drought of 2009 and natural calamities which affected the production of important commodities like vegetables and onions. However, Dr. Singh believes that the food inflation will come down to 7 percent by March 2011 with the harvest of rabi season crops (crops sown in October/November and harvested in March/April) in the market. (Source: [Financial Express](#) and [Indian Express](#), 02/25/2011)

## **INDIA COULD BECOME MILK IMPORTER: ECONOMIC SURVEY INDIA**

India's Economic Survey 2010-11, the much awaited survey document released by the Government of India before presentation of the Union Budget every year, expressed concerns over rising milk prices and inability of the country to meet its growing demand for milk. The survey pointed out that the gap between the demand and production of milk has put upward pressure on milk prices in India. The survey warned that milk prices may increase further, making India a net importer of milk, if the domestic production is not enhanced with a target growth rate of 5.5 percent annually. (Source: [The Economic Times](#), 02/26/2011)

## **GOVERNMENT INITIATES ADDITIONAL STORAGE SPACE FOR FOODGRAINS IN THE RURAL SECTOR**

The Ministry of Agriculture along with the Ministry of Consumer Affairs has initiated measures to create additional storage capacity for foodgrains, especially in the rural sector. The Ministry of Agriculture has recommended an enhanced subsidy for its flagship scheme, the Gramin Bhandaran Yojana (GBY), to support rural storage, by proposing to increase the size of warehouses eligible for subsidy from 10,000 tons to 50,000 tons. Similarly, the Ministry of Food and Consumer Affairs finalized the equity structure for the proposed special purpose vehicle (SPV) to increase foodgrain storage facilities. The proposed SPV would attract private investment through creation of bulk storage facilities besides playing the role of a think-tank to undertake studies on bulk storage handling and transportation requirements for foodgrain. (Source: [Business Standard](#), 02/27/2011)

## **RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

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